

## Message Text

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INFO OCT-01 EA-11 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 IO-14 NEA-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 AF-10 ARA-16 AEC-11 DODE-00 FPC-01 H-03 INT-08

L-03 NSC-07 PM-07 SAM-01 SCI-06 SS-20 STR-08 FEA-02

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P R 112011Z JUN 74

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TO SECSTATE WASH DC PRIORITY 2961

INFO AMEMBASSY BONN

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C O N F I D E N T I A L SECTION 01 OF 03 OECD PARIS 14208

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: MEETING OF OECD OIL COMMITTEE'S HIGH-LEVEL  
GROUP, JUNE 10, 1974

1. SUMMARY. MOST DELEGATIONS APPROVED IN GENERAL  
TERMS REPORTS OF AD HOC GROUPS ON ACCELERATED  
DEVELOPMENT OF CONVENTIONAL ENERGY RESOURCES,  
CONSERVING ENERGY AND RESTRAINING DEMAND, AND OIL  
SHARING IN TIMES OF EMERGENCY AND SEVERE SHORTAGES.  
OWING IN PART TO RECENT CIRCULATION OF REPORTS, BUT  
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ALSO BECAUSE OF UNSTATED RECOGNITION OF WORK OF ECG,

CHAIRMAN INDICATED AT OUTSET THAT DETAILED COMMENTS WERE NOT ANTICIPATED AT THIS SESSION AND SHOULD BE SUBMITTED SUBSEQUENTLY IN WRITING. MOST EXTENSIVE DISCUSSION ON OIL SHARING, DURING WHICH U.S., UK, AND ITALY STRESSED LINKS BETWEEN EMERGENCY SHARING, DEMAND RESTRAINT AND OIL STOCKPILING. FRANCE, JAPAN, NETHERLANDS AND GERMANY ACCEPTED INTERRELATIONSHIP THESE ELEMENTS BUT IN VARYING DEGREE QUESTIONED OR OPPOSED FORMAL LINKS ON GROUNDS THIS MIGHT COMPLICATE SHARING SCHEME AND SLOW PROGRESS TOWARDS AGREEMENT. IT WAS AGREED THAT THREE AD HOC GROUPS SHOULD REVISE REPORTS AND PRESENT THEM TO NEXT MEETING OF OIL COMMITTEE AND HLG FOR AGREEMENT ON SUBSTANCE AND DECISION ON RECOMMENDATIONS. DISCUSSION OF CURRENT OIL SITUATION CONCENTRATED MAINLY ON FORTHCOMING OPEC MEETING AT QUITO THOUGH CONSIDERABLE INTEREST DISPLAYED IN US-SAUDI TALKS WHICH US DEL (J. KATZ) DESCRIBED ALONG LINES JOINT STATEMENT OF JUNE 8 AND PRESS BACKGROUNDER. GERMANY, FRANCE, NETHERLANDS AND ITALY SUPPORTED COMMON OR PARALLEL DEMARCHES TO OPEC MEMBERS AIMED AT HEADING OFF INCREASE IN TAXES ON OIL COMPANIES OR DIRECT MEASURES TO RAISE OIL PRICES. NORWAY AND JAPAN OPPOSED COMMON ACTION. U.S. (KATZ) EXPRESSED RESERVATION ON COMMON ACTION BUT SUGGESTED THAT HLG GOVERNMENTS SHOULD ACT IMMEDIATELY TO MAKE THOSE REPRESENTATIONS TO PRODUCERS THEY CONSIDERED LIKELY TO BE USEFUL AND PRODUCTIVE. END SUMMARY

2. DISCUSSIONS OF REPORTS ON ACCELERATED DEVELOPMENT OF CONVENTIONAL ENERGY RESOURCES AND ON CONSERVATION AND DEMAND RESTRAINT WERE BRIEF. EC COMMISSION (SPAAG), SPEAKING ON BEHALF OF COMMUNITY, APPROVED GENERAL LINES OF BOTH REPORTS WHILE NOTING SOME EC MEMBERS MIGHT LATER SUBMIT DETAILED COMMENTS. FOLLOWING A FEW RELATIVELY MINOR REMARKS, CHAIRMAN INVITED FURTHER COMMENTS IN WRITING. HE OBTAINED AGREEMENT THAT TWO AD HOC GROUPS SHOULD CONSIDER THESE COMMENTS, REVISE REPORTS ACCORDINGLY, AND PRESENT THEM FOR AGREEMENT ON SUBSTANCE AND ON FOLLOW-UP RECOMMENDATIONS AT NEXT MEETING OF OIL COMMITTEE AND HLG.

3. OIL SHARING. REPORT ON OIL SHARING ELICITED  
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LONGER, MORE SUBSTANTIVE DISCUSSION. IN HIS INTRODUCTION OF REPORT, CHAIRMAN OF AD HOC GROUP (VAN RIJN) CALLED ATTENTION INTER ALIA TO GROUP'S DISCUSSION ON LINKAGE BETWEEN EMERGENCY OIL SHARING, STOCKPILING, AND DEMAND RESTRAINT. HE NOTED GENERAL AGREEMENT THESE ARE CLOSELY RELATED WAYS OF DEALING WITH OIL SHORTAGES, BUT SAID GROUP HAD NOT BEEN ABLE TO AGREE ON WHETHER A FORMAL LINK WAS DESIRABLE. ON BEHALF

OF NETHERLANDS DELEGATION, HE OPPOSED FORMALLY LINKING  
PROGRESS ON OIL SHARING SCHEME TO PROGRESS IN OTHER TWO  
FIELDS.

4. EC COMMISSION EXPRESSED THE WISH OF THE COMMUNITY  
TO GIVE THE AD HOC SHARING GROUP CLEAR GUIDELINES TO  
PERMIT DRAFTING OF A FINAL REPORT WITHOUT OPTIONS AS  
QUICKLY AS POSSIBLE. GERMAN AND FRENCH DELEGATIONS  
PROCEEDED TO COMBINE THIS THEME WITH SUPPORT FOR THE  
DUTCH POSITION ON LINKAGES. THE GERMAN DELEGATION SAID  
THAT THE INTERRELATIONSHIP OF OIL SHARING, STOCKPILING  
AND DEMAND RESTRAINT SHOULD NOT BE NEGLECTED BUT SHOULD  
NOT BE PERMITTED TO DELAY PROGRESS ON AN APPORTIONMENT  
SCHEME. THE FRENCH DELEGATION SAID THE VARIOUS  
ELEMENTS IN DEALING WITH AN OIL SHORTAGE SHOULD BE

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P R 112011Z JUN 74

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INFO AMEMBASSY BONN

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TREATED IN PARALLEL AND IN HARMONY, BUT THEY SHOULD NOT BE PERMITTED TO OVERLY COMPLICATE A SHARING SCHEME AND THUS DELAY ITS COMPLETION.

5. U.S. DELEGATE STRESSED NEED FOR CONSIDERING TOGETHER VARIOUS WAYS OF DEALING WITH AN OIL SHORTAGE. HE SAID A CHOICE COULD NOT BE MADE AMONG VARIOUS OPTIONS FOR AN OIL SHARING SCHEME WITHOUT REFERENCE TO THE DEVELOPMENT OF A BROADER SYSTEM FOR DEALING WITH SUPPLY INTERRUPTIONS. HE AGREED ON THE NEED FOR A  
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RELATIVELY SIMPLE SYSTEM, BUT CONSIDERED THAT THE VARIOUS POLICY ELEMENTS COULD BE INTEGRATED AND MADE MUTUALLY SUPPORTIVE WITHOUT UNDUE SACRIFICE OF SIMPLICITY.

6. JAPANESE DELEGATE (TOYANAGA) FEARED "PACKAGE" APPROACH TO OIL SHARING SCHEME WOULD SLOW DOWN AND COMPLICATE MATTERS IN FACE OF URGENT NEED FOR ACTION. NORWEGIAN DELEGATE WAS ESPECIALLY STRONG IN SUPPORT OF THE CONTRARY VIEW: AN APPORTIONMENT SCHEME, HE SAID, COULD CERTAINLY NOT BE VIEWED IN ISOLATION. IN MORE NUANCED STATEMENTS, BOTH THE UK AND ITALY FAVORED DEVOTING FURTHER ATTENTION TO A COMPREHENSIVE, PACKAGE APPROACH.

7. WITH RESPECT TO OPTIONS PROVIDED IN OIL SHARING REPORT, EC COMMISSION REPORTED COMMUNITY'S UNANIMOUS AND MARKED PREFERENCE FOR DEVELOPING THE SHARING BASIS SET OUT IN PARA 46 OF DIE/E/PE/73.135, FIRST REVISION (A COMBINATION OF IMPORT, ESSENTIAL NEEDS, AND CONSUMPTION SHARING). COMMUNITY ALSO AGREES WITH THREE-PHASE APPROACH FOR INTRODUCING APPORTIONMENT AND WITH SOME VERSION OF A "SEMI-AUTOMATIC" TRIGGER MECHANISM. JAPANESE DELEGATE AGREED ON SEMI-AUTOMATIC TRIGGER, BUT MAINTAINED PREFERENCE FOR SHARING BASED ON ARITHMETIC MIX OF CONSUMPTION AND IMPORTS ON THE GROUNDS THIS SIMPLEST AND SPEEDIEST SOLUTION.

8. UK, WHICH NOT MEMBER OF AD HOC OIL SHARING GROUP, FAVORED SCHEME BASED ON INDIVIDUAL COUNTRIES RATHER THAN ON BLOCS. BLOC SYSTEM, OR MAINTENANCE WITHOUT CHANGES OF EUROPEAN PRODUCT ALLOCATION SCHEME, WOULD LEAD TO INEQUITIES AND INCONSISTENCIES, UK DELEGATE SAID. HE ALSO FAVORED CLARIFYING ROLE OF IIAB AND CONSULTATIONS WITH OIL COMPANIES AT AN EARLY STAGE. NORWEGIAN

DELEGATE LATER AGREED WITH UK DOUBTS ABOUT SYSTEM BASED ON BLOCS.

9. IN SUMMING UP FOR GUIDANCE OF AD HOC GROUP, CHAIRMAN (WANSINK) INVITED WRITTEN COMMENTS TO SECRETARIAT AND EXPRESSED GENERAL WISH THAT COMBINED BASIS FOR SHARING SHOULD BE WORKED OUT IN MORE DETAIL AS WELL AS CONCEPT OF SEMI-AUTOMATIC TRIGGER (FRENCH DELEGATE SUBSEQUENTLY RECALLED THAT WORKING OUT OF ARITHMETIC MIXTURE BASIS FOR SHARING HAD ALSO BEEN CONFIDENTIAL

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PROPOSED). CHAIRMAN SAID THAT ROLE OF IIAB SHOULD BE CLARIFIED, AND THAT IT WOULD BE SIMPLEST TO START WITH BLOC SYSTEM AND THEN WORK TOWARD SUCH FURTHER REFINEMENT AS MAY SEEM NECESSARY. HE NOTED NEED TO TAKE COMPREHENSIVE APPROACH TO SHARING BUT ALSO POINTED OUT THAT IT WOULD BE DIFFICULT FOR AD HOC GROUP TO DEAL WITH THIS FULLY BY ITSELF. IN COMMENTING ON GUIDELINES, VAN RHIJN STRESSED NEED FOR MEMBERS OF AD HOC GROUP TO PARTICIPATE IN FUTURE MEETINGS BACKED BY POLITICAL COMMITMENT TO PERMIT DRAFTING OF A SINGLE PROPOSAL SUITABLE FOR A FINAL DISCUSSION AND DECISION AT THE POLITICAL LEVEL.

10. CURRENT OIL SITUATION. U.S. LED OFF ITEM ON

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P R 112011Z JUN 74

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C O N F I D E N T I A L SECTION 03 OF 03 OECD PARIS 14208

CURRENT OIL SITUATION WITH STATEMENT ON SUPPLY/DEMAND  
SITUATION AND WITH REPORT ON RECENT US-SAUDI MEETINGS  
ALONG LINES JOINT STATEMENT AND PRESS BACKGROUNDER.  
WITH GERMAN DELEGATION LEADING THE WAY, DISCUSSION  
QUICKLY TURNED TO JUNE 15 QUITO MEETING OF OPEC. GERMAN  
DELEGATE STRONGLY SUPPORTED COMMON DEMARCHE TO  
PRODUCERS AND QUESTIONED US ON WHETHER ITS POSITION HAD  
CHANGED SINCE LAST WEEK'S DISCUSSION IN BRUSSELS.  
NETHERLANDS, FRANCE, AND ITALY ALSO SUPPORTED COMMON OR  
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PARALLEL APPROACHES TO OIL PRODUCERS, WHILE NORWAY AND  
JAPAN DOUBTED THE EFFECTIVENESS AND WISDOM OF SUCH  
ACTION. U.S. DELEGATE SAID HIS GOVERNMENT WAS MORE  
CONCERNED WITH EFFECTIVENESS THAN FORM. HE SAID THE  
U.S. IS EXAMINING ITS POSITION IN LIGHT OF TALKS WITH  
SAUDIS, BUT SUGGESTED THE BEST COURSE WOULD BE FOR HLG  
MEMBERS TO SUGGEST TO THEIR GOVERNMENTS THAT  
REPRESENTATIONS TO PRODUCERS SHOULD BE MADE AS SOON AS  
POSSIBLE AND IN THE MANNER THEY DEEM MOST LIKELY TO BE  
USEFUL. ALL AGREED THAT EFFORTS SHOULD BE MADE TO  
CORRECT THE APPARENTLY UNREALISTIC AND OVERSIMPLIFIED  
VIEW OF OIL COMPANY PROFITS BEING ADVANCED IN OPEC AS A  
JUSTIFICATION FOR INCREASED TAXES.

12. UNDER "FUTURE WORK", EC COMMISSION REPORTED THAT IT  
MIGHT ON BEHALF OF COMMUNITY INTRODUCE SUGGESTION IN OIL  
COMMITTEE FOR GIVING MORE CONCRETE FORM TO WORK OF  
OECD'S COLOMBO GROUP ON ENERGY R&D.

13. WANSINK REELECTED CHAIRMAN OF HLG, SUBJECT TO

ELECTION AS OIL COMMITTEE CHAIRMAN. NO DATE SET FOR  
NEXT MEETING OF HLG OR OIL COMMITTEE.  
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## Message Attributes

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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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